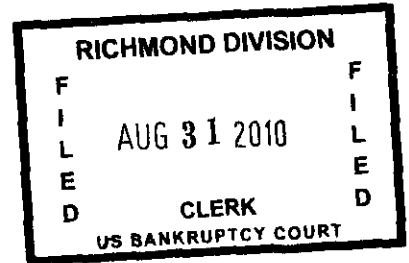


UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION



In Re: )  
 )  
CIRCUIT CITY STORES, INC., et al. )  
 )  
 ) Case No. 08-35653 (KRH)  
 ) Chapter 11  
 )  
Debtors ) (Jointly Administered)  
 )

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**TREASURER OF DOUGLAS COUNTY, COLORADO'S OBJECTIONS TO  
CONFIRMATION OF THE AUGUST 9, 2010 SECOND AMENDED JOINT PLAN  
OF LIQUIDATION**

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Sharon K. Jones, Treasurer of Douglas County, Colorado ("Douglas County"),  
objects to confirmation of the August 9, 2010 Chapter 11 Joint Plan of Liquidation (the  
"Plan")<sup>1</sup> because:

1. the Plan fails to require Allowed Miscellaneous Secured Claims to be paid  
in the order to their lien priorities; ignores the priority of Douglas  
County's statutory property tax lien, which is senior to all liens that are not  
statutory tax liens; and thereby allows Miscellaneous Secured Claims that  
*are junior to Douglas County's Claim to be paid ahead of Douglas County;*  
and
2. the Plan fails to provide that, at the latest, Douglas County's Claim will be  
paid over a period ending not later than 5 years after the order for relief, as  
required by 11 U.S.C. §§ 1129(a)(9)(C)(ii) and 1129(a)(9)(D).

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<sup>1</sup> The only improvement in the Plan over the plan filed on September 24, 2009 is that the Plan now pays  
interest on allowed Tax Claims at the rate prescribed by applicable state law.

**A. The Plan Ignores the Priority of Douglas County's Statutory Property Tax Lien, Which Is Senior to All Other Liens**

Douglas County holds a valid, perfected statutory superpriority secured claim for 2008 commercial personal property taxes in the amount of \$7,844.91, secured by a statutory lien on the Debtors' tangible personal property and the proceeds thereof. See, Douglas County's Proof of Claim, Exhibit A hereto.

**1. Douglas County's Claim is a Prepetition Claim**

Douglas County's entire claim is a prepetition claim, because the claim for the 2008 property taxes relates back to the prepetition statutory January 1, 2008 assessment date. "All taxable property, real and personal, within the State at twelve noon on the first day of January of each year, designated as the official assessment date, shall be listed, appraised, and valued for assessment in the county wherein it is located on the assessment date." C.R.S. (Colorado Revised Statutes) § 39-1-105. "Under the Colorado tax code, taxes on real and personal property create a first and perpetual lien. C.R.S. § 39-1-107 (2). This lien attaches to the property as of noon on January 1 of the tax year. C.R.S. § 39-1-105." In re Western Pacific Airlines, Inc., 273 F. 3d 1288, 1291 (10<sup>th</sup> Cir. 2001). See, Morehead v. John Deere Industrial Equipment Co., 572 P. 2d 1207, 1208-10 (Colo. 1978) (en banc); Wolf v. Antonoff, 423 P. 2d 840, 842 (Colo. 1967) (en banc); City and County of Denver v. Tax Research Bureau, 71 P. 2d 809, 812 (Colo. 1937).

Douglas County's computation of the Debtors' property tax liability for 2008 taxes renders choate Douglas County's property tax lien for 2008 taxes; 11 U.S.C. §§ 362 (b) and 546 (b) allow Douglas County to make these computations postpetition. The resulting property tax lien for 2008 property taxes relates back to the January 1, 2008 assessment date. "Colorado Case Law holds that 'such lien does not become effective nor

it its value knows until the property is assessed and the taxes levied, at which time the therefore inchoate lien relates back and attaches as of the date authorized for assessment.”” In re Western States Distributors, Inc., 179 B.R. 666, 668 (Bankr.D.Colo.1995) (citations omitted) (quoting Marin, et al. v. Board of Assessment Appeals, et al., 707 P. 2d 348, 354 (Colo.1985)). See, Maryland National Bank v. Mayor and City Council of Baltimore, 723 F. 2d 1138, 1143-44 ( 4<sup>th</sup> Cir. 1983); In re Thurman, 163 B.R. 95, 98 (Bankr.W.D. Texas. 1994); In re Summit Ventures, Inc., 135 B.R. 483, 492 (Bankr.D.Vt.1991).

**2. Douglas County's Statutory Lien Is Senior to All Other Liens, But the Plan Allows Claims Secured by Junior Liens to be Paid Ahead of Douglas County's Claim**

Except possibly for other statutory tax liens, Douglas County's lien is senior to all other liens on the Debtors' tangible personal property and the proceeds thereof. "Taxes levied on real and personal property ... shall be a perpetual lien thereon, and such lien shall have priority over all other liens .... " C.R.S. § 39-1-107(2) (emphasis added). See, In re Western Pacific Airlines, Inc., 273 F.3d 1288, 1291 (10<sup>th</sup> Cir. 2001) ("Under the Colorado tax code, taxes on real and personal property create a first and perpetual lien."); United States v. Elliott, 209 F.Supp. 374, 375 (D.Colo.1972).

However, the Plan, ¶ III.B.1, allows the Liquidating Trustee to pay Class 1 Miscellaneous Secured Claims<sup>2</sup> out of the Miscellaneous Secured Claims Reserve without regard to the priorities among the Miscellaneous Secured Claims.

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<sup>2</sup> Douglas County's Claim is a Class 1 Miscellaneous Secured Claim. See, Plan, ¶ 1.115. It is not a Priority Tax Claim under Plan, ¶ 1.132, because the statutory lien securing Douglas County's Claim prevents it from being an 11 U.S.C. § 507(a)(8) claim. "Eighth, allowed unsecured claims of governmental units, only to the extent that such claims are for ... " 11 U.S.C. § 507(a)(8) (priority tax claims) (emphasis added).

In the event that there is not enough money in the Miscellaneous Secured Claims Reserve to pay All Miscellaneous Secured Claims in full, the Plan contains no restriction on how the Liquidating Trustee is to decide which Miscellaneous Secured Claims will be paid and which ones will not be paid. In the event that there is not enough money to pay all Miscellaneous Secured Claims in full, the Liquidating Trustee is not required to pay the Miscellaneous Secured Claims in the order of priority of their liens.

The Plan, ¶ III.B.1, in effect states that all Miscellaneous Secured Claims are unimpaired, because it provides that "Class 1 is conclusively presumed to have accepted the Plan." However, this is not true if the Liquidating Trustee pays other Miscellaneous Secured Claims ahead of Douglas County's statutory superpriority property tax claim, such that Douglas County fails to receive the full amount of its Claim, including interest.

Because the statutory lien securing Douglas County's Claim has "priority over all other liens," C.R.S. § 39-1-107(2), the allowed amount of its Claim should be the full amount stated in its Proof of Claim, plus accrued postpetition interest, and such entire amount of its Claim should be deemed secured under 11 U.S.C. § 506(a)(1). The Plan violates 11 U.S.C. §§ 1129(b)(2)(A) (i)(II), which provides:

"[T]he condition that a plan be fair and equitable ... includes ... with respect to a class of secured claims the plan provides that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property."

The Plan should provide that all Allowed Miscellaneous Secured Claims that are Tax Claims will be paid in full, including all postpetition interest, before any Allowed Miscellaneous Secured Claim that is not a Tax Claim is paid any money out of the Miscellaneous Secured Claims Reserve, and that, among Allowed Miscellaneous Secured

Claims that are Tax Claims, such Tax Claims will be paid in the order of their lien priorities.

**B. The Plan Does Not Require *Ad Valorem* Property Taxes to be Paid, At the Latest, Over a Period Ending Not Later Than 5 Years After the Order for Relief, As Required by 11 U.S.C. §§ 1129(a)(9)(C)(ii) and 1129(a)(D)**

The Plan, ¶ III.B.1 does not set an outside date by which Class 1 Miscellaneous Secured Claims must be paid. Instead, it keys the date of payment to the date when the claim becomes an Allowed Miscellaneous Secured Claim. Class 1 Claims will be paid:

"on, or as soon as reasonable practicable after, the Distribution Date immediately following the date a Miscellaneous Secured Claim becomes an Allowed Miscellaneous Secured Claim."

Plan, ¶ III.B.1. However, nothing in the Plan obligates the Debtors or the Liquidating Trustee to make their decision on allowing a claim by a date certain.

Such uncertainty may be acceptable for many types of Miscellaneous Secured Claims. However, for *ad valorem* property tax claims that are secured by statutory liens, the Bankruptcy Code requires the claims be paid at the latest "over a period ending not later than 5 years after the date of the order for relief." 11 U.S.C. § 1129(a)(9)(C)(ii). See, 11 U.S.C. § 1129(a)(9)(D) (which extends the reach of. § 1129(a)(9)(C) to secured tax claims). The payments must be "payments in cash of a total value, as of the effective date of the plan, equal to the allowed amount of such claim." 11 U.S.C. § 1129(a)(9)(C)(i). See, 11 U.S.C. § 1129(a)(9)(D). The Plan fails to comply with these statutory requirements.

The Plan should be amended to provide that in no case shall payment of allowed *ad valorem* property tax claims that are secured by statutory liens be later or in a lesser amount than required under 11 U.S.C. §§ 1129(a)(9)(C) and 1129(a)(9)(D).

C. **The Complete Lack of Specificity in ¶ III.B.1 of the Plan as to How "Miscellaneous Secured Claims" Will be Treated Renders it Impossible to Determine Whether the Plan Complies With the Confirmation Standards of 11 U.S.C. § 1129**

The Plan does not disclose how it will treat Class 1 "Miscellaneous Secured Claims":

"[A] Holder of an Allowed Miscellaneous Secured Claim shall receive ... or (iii) such other treatment as to which such Holder and the Debtors and/or the Liquidating Trustee shall have agreed upon in writing."

Plan, ¶ III.B.1 (emphasis added).

Such unfettered discretion prevents Class 1 creditors like Douglas County from testing at the confirmation hearing whether the Plan complies with 11 U.S.C. § 1129. The time for the Court to determine whether a plan of reorganization comports with § 1129 is at confirmation, not at some distant time after confirmation of the Debtor's choosing. Class 1 creditors have the right to have the Debtors tell them in the Plan how the Debtors propose to deal with their claims, so that they can obtain an adjudication during the confirmation process of whether the Debtors' treatment of their claims is legal under the Bankruptcy Code.

A delayed adjudication, such as is permitted under the Plan, allows creditors whose liens are junior to Douglas County's statutory superpriority property tax lien to be paid ahead of Douglas County, with the result that the estate may not be financially able to pay Douglas County by the time of the delayed adjudication.

**D. The Plan Does Not Address the Very Real Possibility that the Debtors and a Class 2 Creditor Cannot Agree on the Treatment of that Creditor's Claim**

A Chapter 11 plan is a species of contract between the debtor and its creditors, albeit one approved by the bankruptcy court. "Interpretation of a Chapter 11 plan is basically a matter of contractual interpretation." In re Beta International, Inc., 210 B.R. 279, 285 (E.D.Mich.1996). See, In re Stratford of Texas, Inc., 635 F.2d 365, 368 (5<sup>th</sup> Cir. 1981); UNR Industries, Inc. v. Bloomington Factory Workers, 173 B.R. 149, 157 (N.D.Ill.1994).

Option (iii) of Paragraph III.B.1 of the Plan -- providing for "such other treatment as to which such Holder and the Debtors and/or the Liquidating Trustee shall have agreed upon in writing" -- is an illusory contract. It is an agreement to agree. Agreements to agree do not constitute enforceable contracts. "[W]here an agreement is not sufficiently definite to enable a court to give it exact meaning or where an essential element is reserved for future agreement of both parties, a legal obligation cannot result." Pearson Bros. Co. v. Pearson, 113 B.R. 469, 475 (C.D.Ill.1990). See, United States v. Orr Construction Co., 560 F.2d 765, 769 (7<sup>th</sup> Cir. 1977) quoting 1 Corbin on Contracts § 95, at 402): :

"In order for such a contract to be enforceable, however, it is necessary that the terms to be agreed upon in the future can be determined 'independent of a party's mere wish, will, and desire, either by virtue of the agreement itself or by commercial practice or other usage or custom.' If the language of the contract is too indefinite to permit this determination the court cannot enforce the contract without engaging in the forbidden practice of itself supplying the terms of the agreement which the parties promised to reach in the future."

See also, Sethness-Greenleaf, Inc. v. Green River Corp., 1993 WL 475498 (N.D.Ill.

1993), \*7; The Gates Corporation v. Bando Chemical Industries, Ltd., 4 Fed.Appx. 676,

2001 WL 135686 (10<sup>th</sup> Cir.), \*4; I.M.A., Inc. v. Rocky Mountain Airways, Inc. 713 P.2d 882, 888 (Colo.1986) ("In order to establish the existence of a contract, the evidence must show that the parties agreed upon all essential terms.").

If the Debtors and Douglas County cannot agree on the treatment of Douglas County's Claim, the Plan provides no guidance as to how Douglas County's Claim will be treated: when it will be paid, the priority of its statutory lien, what portion of the Claim is secured, whether it will retain its statutory lien until it is paid in full, whether it will be paid postpetition interest, the rate at which it will be paid postpetition interest.

**E. The Complete Lack of Specificity in ¶ III.B.1 of the Plan as to How "Miscellaneous Secured Claims" Will be Treated Renders it Impossible to Determine Whether the Plan Complies With the Confirmation Standards of 11 U.S.C. § 1123(a)(4)**

The Bankruptcy Code requires that similar claims be treated the same. "[A] plan shall provide the same treatment for each claim ... of a particular class." 11 U.S.C. § 1123(a)(4).

The unfettered discretion in Plan, ¶ III.B.1 prevents Class 1 creditors from testing at the confirmation hearing whether the Plan in fact complies with § 1123(a)(4). The time for the Court to determine whether a plan of reorganization comports with § 1123(a)(4) is at confirmation, not at some distant time after confirmation of the Debtors' choosing.

**F. Conclusion**

Confirmation should be denied unless the Plan is amended to provide that:

- (1) All Allowed Miscellaneous Secured Claims that are Tax Claims will be paid in full, including all postpetition interest, before any Allowed Miscellaneous Secured Claim that is not a Tax Claim is paid any money



out of the Miscellaneous Secured Claims Reserve, and that, among  
Allowed Miscellaneous Secured Claims that are Tax Claims, such Tax  
Claims will be paid in the order of their lien priorities; and

- (3) In no case shall Allowed *ad valorem* property tax claims that are secured  
by statutory property tax liens shall be paid later than over a period of 5  
years after the date of the order for relief, as required by 11 U.S.C. §§  
1129(a)(9)(C)(ii) and 1129(a)(9)(D).

DATED: August 26, 2010

Respectfully submitted,

OFFICE OF THE COUNTY ATTORNEY  
DOUGLAS COUNTY, COLORADO



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**CERTIFICATE OF SERVICE**

I hereby certify that on August 26, 2010, a true and correct copy of the foregoing, **Treasurer of Douglas County, Colorado's Objections to Confirmation of the August 9, 2010 Second Amended Joint Plan of Liquidation** was served electronically or by depositing copies of same in the United States mail, postage prepaid, addressed to:

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A handwritten signature in cursive script, reading "Tonya McLann", written over a horizontal line.

U.S. BANKRUPTCY COURT FOR THE DISTRICT OF VIRGINIA RICHMOND DIVISION		PROOF OF CLAIM		<div style="font-size: 48px; opacity: 0.5;">COPY</div> <div style="font-weight: bold; font-size: 24px; margin-top: 20px;">RECEIVED</div> <div style="font-weight: bold; font-size: 24px; margin-top: 5px;">DEC 01 2008</div> <div style="font-weight: bold; font-size: 18px; margin-top: 5px;">KURTZMAN CARSON CONSULTANTS</div>									
DEBTOR: CIRCUIT CITY WEST COAST, INC		Case No. 08-35654 Joint Adm. 08-35653 Chapter 11											
Name of Creditor: DOUGLAS COUNTY		<input type="checkbox"/> Check if you are aware that anyone else has filed a proof of claim relating to your proof of claim.  <input type="checkbox"/> Check if you have never received any notices from the bankruptcy court in this case.  <input type="checkbox"/> Check if the address differs from the address on the envelope sent to you by the court											
Please mail notices to:  DOUGLAS COUNTY TREASURER ATTN: STEPHANIE COOK P.O. BOX 1208 100 THIRD STREET CASTLE ROCK, CO 80104  TEL.: 303.660.7455 FAX: 303.660.9022													
Number by which creditor identifies debtor: P0395424		<input type="checkbox"/> replaces This claim <input type="checkbox"/> amends a previously filed claim, dated: <span style="border: 1px solid black; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;"></span> <input type="checkbox"/> supplements		THIS SPACE IS FOR COURT USE ONLY									
1. BASIS FOR CLAIM: COMMERCIAL PERSONAL PROPERTY ASSESSMENT													
2. DATE DEBT WAS INCURRED: January 1, 2008													
<i>Colorado Revised Statutes provide that tax liens arise at 12 noon on the assessment date for the current year C.R.S. 39-1-105</i>													
3. CLASSIFICATION OF CLAIM: Secured Claim to extent of collateral value. Unsecured Priority Claim 11 U.S.C. 507(a)(8) to the extent of any shortfall in collateral value and or personal liability. Tax Lien created under 39-1-107 of the Colorado Revised Statutes.													
4. TOTAL AMOUNT OF CLAIM: <table style="width: 100%; margin-top: 5px;"> <tr> <td style="text-align: center; border: 1px solid black; width: 20%;">\$0.00</td> <td style="text-align: center; border: 1px solid black; width: 20%;">\$ 7,844.91</td> <td style="text-align: center; border: 1px solid black; width: 20%;">\$</td> <td style="text-align: center; border: 1px solid black; width: 20%;">\$7,844.91</td> </tr> <tr> <td style="text-align: center; font-size: 8px;">Unsecured</td> <td style="text-align: center; font-size: 8px;">( secured )</td> <td style="text-align: center; font-size: 8px;">( Priority )</td> <td style="text-align: center; font-size: 8px;">( Total )</td> </tr> </table> <div style="margin-top: 5px;"> <input type="checkbox"/> Check this box if claim includes charges in addition to the principal amount of the claim                 </div> <div style="display: flex; justify-content: space-between; font-size: 8px; margin-top: 5px;"> <span>Interest accrues at 12% per annum pursuant to Colorado Revised Statute 39-10-104.5</span> <span>(11USC 506(b) &amp; 11USC 511)</span> </div>						\$0.00	\$ 7,844.91	\$	\$7,844.91	Unsecured	( secured )	( Priority )	( Total )
\$0.00	\$ 7,844.91	\$	\$7,844.91										
Unsecured	( secured )	( Priority )	( Total )										
5. SECURED CLAIM:  Collateral: Commercial Personal Property Actual Taxable Value: \$ 284,332			OTHER : The 2008 Taxes are estimated. This claim will be supplemented with a liquidated amount once tax statements are generated in January 2009 in accordance with Colorado Law										
6. CREDITS AND SETOFFS: The amount of the payments on this claim has been credited and deducted for the purpose of making this claim													
7. SUPPORTING DOCUMENTS: Attached													
Date : 19-Nov-08				FOR COURT USE ONLY									
<div style="position: relative; height: 100%;"> <div style="position: absolute; bottom: 0; left: 0; font-family: cursive; font-size: 24px; color: black;">                         Stephanie Cook                     </div> </div>													
Signature: Stephanie Cook, Douglas County Treasurer Penalty for presenting fraudulent claim: Fine up to \$500,000 or imprisonment up to 5 years, or both 18 U.S.C 152 and 3571													